

MAQUOKETA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Maquoketa Community School District in Maquoketa, Iowa.

The District's revenues totaled \$16,256,647 for the year ended June 30, 2006, a 1.56% increase from the prior year. Revenues included \$5,294,796 in local tax, charges for services of \$2,124,274, operating grants, contributions and restricted interest of \$2,309,787, unrestricted state grants of \$6,238,490, unrestricted interest of \$176,367 and other general revenues of \$35,426.

Expenses for District operations totaled \$15,081,006, a 10.84% increase from the prior year. Expenses included \$4,968,281 for regular instruction, \$2,695,274 for special instruction and \$1,912,005 for other instruction.

A copy of the audit report is available for review in the District Secretary's office, the Office of the Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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Maquoketa Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2005 Election)**

Leslie Lawson	President	2007
Mary Bartels	Vice President	2007
Anne Pitcher Hawks	Board Member	2005
Bill Schwenker	Board Member	2005
Brian Tabor	Board Member	2006

**Board of Education  
(After September 2005 Election)**

Mary Bartels	President	2007
Anne Pitcher Hawks	Vice President	2008
Brian Tabor	Board Member	2006
Leslie Lawson	Board Member	2007
Bill Schwenker	Board Member	2008

**School Officials**

Kim Huckstadt	Superintendent	2006
Barbara A. McKeon	District Secretary/Treasurer and Business Coordinator	2006
Steve Kahler	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Maquoketa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District, Maquoketa, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2006 on our consideration of Maquoketa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maquoketa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

September 7, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Maquoketa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$13,235,353 in fiscal 2005 to \$13,505,178 in fiscal 2006, while General Fund expenditures increased from \$12,886,042 in fiscal 2005 to \$13,670,822 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$1,645,688 in fiscal 2005 to a balance of \$1,480,044 in fiscal 2006, a 10.07% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in instructional services.
- The district's General Fund solvency ratio (Unreserved, Undesignated General Fund Balance divided by Actual General Fund Revenues) decreased from 11.49% in fiscal 2005 to 9.90% in fiscal 2006. The Iowa Association of School Boards recommends a target range of 5-10%.
- Voters in Clinton, Jackson & Dubuque County passed a Local Option Sales and Service Tax of 1% for ten years, beginning July 1, 2001, 2002 and 2003 consecutively, for the purpose of school infrastructure needs. The district received proceeds of \$709,845 during fiscal year 2006. The resources were used to finance an office addition to the Middle School, new tennis courts, replace the track, and additional classrooms and restrooms at the High School.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Maquoketa Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Maquoketa Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Maquoketa Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Maquoketa Community School District Annual Financial Report**

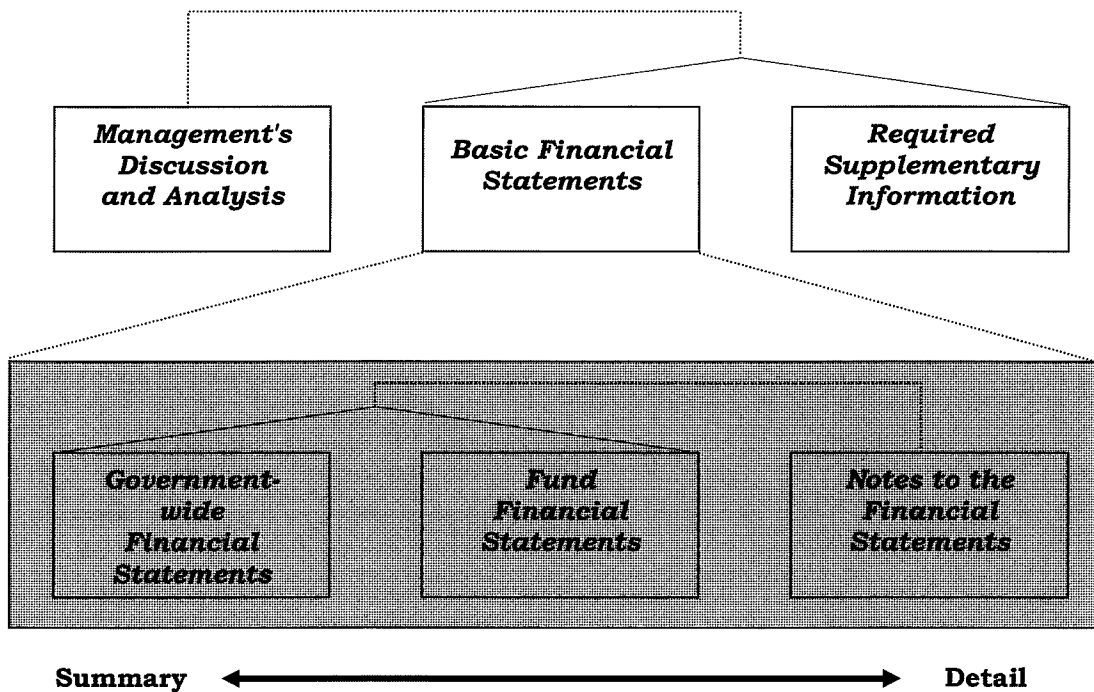




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds are the Private Purpose Trust Fund, and the Agency Fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds for which the District administers and accounts for certain revenue collected for other groups.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 10,762,225	10,319,782	55,405	17,078	10,817,630	10,336,860	4.65%
Capital assets	7,775,203	7,868,255	53,739	54,221	7,828,942	7,922,476	-1.18%
Total assets	18,537,428	18,188,037	109,144	71,299	18,646,572	18,259,336	2.12%
Long-term obligations	1,493,782	2,190,528	0	0	1,493,782	2,190,528	-31.81%
Other liabilities	5,599,128	5,695,242	4,301	7,418	5,603,429	5,702,660	-1.74%
Total liabilities	7,092,910	7,885,770	4,301	7,418	7,097,211	7,893,188	-10.08%
Net assets:							
Invested in capital assets, net of related debt	7,194,216	6,261,443	53,739	54,221	7,247,955	6,315,664	14.76%
Restricted	655,751	671,770	0	0	655,751	671,770	-2.38%
Unrestricted	3,594,551	3,369,054	51,104	9,660	3,645,655	3,378,714	7.90%
Total net assets	\$ 11,444,518	10,302,267	104,843	63,881	11,549,361	10,366,148	11.41%

The District's combined net assets increased by 11.41% or \$1,183,213 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$16,019 or 2.38% over the prior year. The decrease was primarily due to the decrease in fund balance of the Special Revenue, Physical Plant and Equipment Levy Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal

requirement - increased \$266,941 or 7.90%. The increase was primarily due to the increase in net assets in the Internal Service Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 1,817,562	2,049,852	306,712	286,782	2,124,274	2,336,634	-9.09%
Operating grants and contributions and restricted interest	1,926,155	1,762,641	383,632	342,674	2,309,787	2,105,315	9.71%
Capital grants and contributions and restricted interest	77,507	258,000	0	0	77,507	258,000	-69.96%
General revenues:							
Property tax	4,584,951	4,476,168	0	0	4,584,951	4,476,168	2.43%
Local option sales and service tax	709,845	610,231	0	0	709,845	610,231	16.32%
Unrestricted state grants	6,238,490	6,120,931	0	0	6,238,490	6,120,931	1.92%
Other	211,669	100,294	124	104	211,793	100,398	110.95%
Total revenues	15,566,179	15,378,117	690,468	629,560	16,256,647	16,007,677	1.56%
Program expenses:							
Governmental activities:							
Instructional	9,575,560	9,003,452	0	0	9,575,560	9,003,452	6.35%
Support services	3,969,143	3,209,309	20,758	0	3,989,901	3,209,309	24.32%
Non-instructional programs	5,579	5,256	636,320	647,306	641,899	652,562	-1.63%
Other expenses	873,646	740,821	0	0	873,646	740,821	17.93%
Total expenses	14,423,928	12,958,838	657,078	647,306	15,081,006	13,606,144	10.84%
Changes in net assets before capital contributions	1,142,251	2,419,279	33,390	(17,746)	1,175,641	2,401,533	-51.05%
Capital contributions	0	0	7,572	1,796	7,572	1,796	321.60%
Changes in net assets	1,142,251	2,419,279	40,962	(15,950)	1,183,213	2,403,329	-50.77%
Net assets beginning of year	10,302,267	7,882,988	63,881	79,831	10,366,148	7,962,819	30.18%
Net assets end of year	\$ 11,444,518	10,302,267	104,843	63,881	11,549,361	10,366,148	11.41%

In fiscal 2006, property tax, local option sales and services tax and unrestricted state grants account for 74.09% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.98% of the revenue from business-type activities.

The District's total revenues were \$16,256,647 of which \$15,566,179 was for governmental activities and \$690,468 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 1.56% increase in revenues and a 10.84% increase in expenses. Property tax increased by \$108,783 to fund increases in expenditures. The increases in expenses related to increases in negotiated salary and benefits as

well as increases in expenses funded by grants received by the District. In addition, the District saw increased expenses due to increases in fuel, natural gas and electricity costs.

### Governmental Activities

Revenues for governmental activities were \$15,566,179 and expenses were \$14,423,928.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-06	2006	2005	Change 2005-06
Instruction	\$ 9,575,560	9,003,452	6.35%	6,345,989	5,699,382	11.35%
Support services	3,969,143	3,209,309	23.68%	3,917,488	3,154,592	24.18%
Non- instructional program	5,579	5,256	6.15%	5,579	5,256	6.15%
Other expenses	873,646	740,821	17.93%	333,648	29,115	1045.97%
Totals	\$ 14,423,928	12,958,838	11.31%	10,602,704	8,888,345	19.29%

- The cost financed by users of the District's programs was \$1,817,562.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,926,155.
- The net cost of governmental activities was financed with \$4,584,951 in local tax, \$709,845 in local option sales and service tax, \$6,238,490 in unrestricted state grants and \$211,669 in other income.

### Business-Type Activities

Revenues of the District's business-type activities were \$690,468 and expenses were \$657,078. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Maquoketa Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,864,117, above last year's ending fund balances of \$2,763,426. However, the primary reason for the increase was the increase of in the Debt Service Fund balance.

### Governmental Fund Highlights

- The District's General Fund balance decreased from \$1,645,688 on June 30, 2005 to \$1,480,044 on June 30, 2006. The District's General Fund financial position is the product of many factors. An increase in the state grant, tuition and other local revenue during the year resulted in an increase in total revenues. The increase in expenditures was due to the increases in employee's salaries and benefits and increases in fuel, natural gas and electricity

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costs. Revenues did not exceed expenditures ensuring the decline in the District's financial position.

- The Capital Projects Fund balance decreased during the current year from \$392,572 in 2005, to \$287,495 in 2006. This decreased resulted from an increase in the required transfer amount to the Debt Service Fund during the year.
- The Debt Service Fund balance increased from \$123,725 in 2005, to \$466,923 in 2006, due to the debt requirements to fund the final payment of the Revenue Bonds due in 2007.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net assets increased from \$63,881 at June 30, 2005 to \$104,843 at June 30, 2006, representing an increase of 64.12%. A part of this increase is due to the contribution of capital assets from the Special Revenue, Physical Plant and Equipment Levy Fund of \$7,572 during the year.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$298,790 more than budgeted revenues, a variance of 1.87%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures. For fiscal year ending June 30, 2006 the District did amend their certified budget in all functions.

In spite of the District's budgetary practice, the certified budget exceeded in the support services function due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget and account code changes made at year-end for the Certified Annual Report upload required by the Department of Education.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, the District had invested \$7.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.18% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$409,213.

The original cost of the District's capital assets was \$16,093,912. Governmental funds account for \$15,914,284 with the remainder of \$179,628 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,310,806 at June 30, 2006, compared to \$6,495,893 reported at June 30, 2005. This decrease resulted mostly from the current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 234,026	234,026	0	0	234,026	234,026	0.00%
Buildings	6,310,806	6,495,893	0	0	6,310,806	6,495,893	-2.85%
Land improvements	614,766	595,797	0	0	614,766	595,797	3.18%
Machinery and equipment	615,605	542,539	53,739	54,221	669,344	596,760	12.16%
Total	\$ 7,775,203	7,868,255	53,739	54,221	7,828,942	7,922,476	-1.18%

### Long-Term Debt

At June 30, 2006, the District had \$1,493,782 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 31.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$800,000 at June 30, 2006. The Debt Service Fund will pay for these bonds with local tax revenues.

At June 30, 2006, the District had revenue bonds payable of \$530,000. These bonds are paid with local option sales and service tax revenues transferred from the Capital Projects Fund.

The District had compensated absences payable of \$22,839 at June 30, 2006 payable from the General Fund.

The District had early retirement payable of \$140,943 at June 30, 2006 payable from the Special Revenue, Management Fund.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 800,000	1,085,000	-26.3%
Revenue Bonds	530,000	1,030,000	-48.5%
Early retirement	140,943	53,416	163.9%
Compensated absences	22,839	22,112	3.3%
Total	\$ 1,493,782	2,190,528	-31.8%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's certified enrollment is down 14.5 students for funding of fiscal year 2005. Projections indicate the District may have declining enrollment in future years.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made

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without thorough consideration of our unspent authorized budget. The district's cash balance will support short term funding shortfalls from the state.

- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The District has a Whole Grade Sharing Agreement with Delwood Community School, whereby Delwood School sends their 7-12 students to Maquoketa Schools. During fiscal year 2005, Delwood School paid Maquoketa School \$401,712 for regular education service. The agreement has been renewed and the tuition per student increases from 85% to 92% of the States District Cost Per Pupil, beginning with the 2006-07 school year. The contract is for three years, annually renewing for a three year term.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barbara A. McKeon, District Board Secretary/Treasurer, Maquoketa Community School District, 612 S Vermont St., Maquoketa, Iowa, 52060, (563) 652-4984.



## BASIC FINANCIAL STATEMENTS

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 5,425,375	46,348	5,471,723
Receivables:			
Property tax:			
Delinquent	118,917	0	118,917
Succeeding year	4,205,332	0	4,205,332
Income surtax	407,457	0	407,457
Accounts	57,757	792	58,549
Due from other governments	547,387	0	547,387
Inventories	0	8,265	8,265
Capital assets, net of accumulated depreciation (Note 4)	7,775,203	53,739	7,828,942
<b>TOTAL ASSETS</b>	<b>18,537,428</b>	<b>109,144</b>	<b>18,646,572</b>
<b>LIABILITIES</b>			
Accounts payable	218,273	256	218,529
Salaries and benefits payable	949,516	0	949,516
Incurred but not reported claims	192,334	0	192,334
Interest payable	5,405	0	5,405
Deferred revenue:			
Succeeding year property tax	4,205,332	0	4,205,332
Other	28,268	0	28,268
Unearned revenue	0	4,045	4,045
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds	285,000	0	285,000
Revenue bonds	530,000	0	530,000
Early retirement	53,389	0	53,389
Compensated absences	22,839	0	22,839
Portion due after one year:			
General obligation bonds	515,000	0	515,000
Early retirement	87,554	0	87,554
<b>TOTAL LIABILITIES</b>	<b>7,092,910</b>	<b>4,301</b>	<b>7,097,211</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	7,194,216	53,739	7,247,955
Restricted for:			
Talented and gifted	142,623	0	142,623
Physical plant and equipment levy	255,977	0	255,977
Other special revenue purposes	257,151	0	257,151
Unrestricted	3,594,551	51,104	3,645,655
<b>TOTAL NET ASSETS</b>	<b>\$ 11,444,518</b>	<b>104,843</b>	<b>11,549,361</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 4,968,281	867,936	1,342,083	0	(2,758,262)	0
Special instruction	2,695,274	482,889	88,397	0	(2,123,988)	0
Other instruction	1,912,005	446,716	1,550	0	(1,463,739)	0
	9,575,560	1,797,541	1,432,030	0	(6,345,989)	0
Support services:						
Student services	445,285	0	0	0	(445,285)	0
Instructional staff services	551,971	0	0	0	(551,971)	0
Administration services	1,265,247	0	0	0	(1,265,247)	0
Operation and maintenance of plant services	1,066,627	0	3,485	0	(1,063,142)	0
Transportation services	640,013	20,021	28,149	0	(591,843)	0
	3,969,143	20,021	31,634	0	(3,917,488)	0
Non-instructional:						
Food service operations	5,579	0	0	0	(5,579)	0
Other expenditures:						
Facilities acquisitions	132,598	0	15	77,507	(55,076)	0
Long-term debt interest	42,551	0	0	0	(42,551)	0
AEA flowthrough	462,476	0	462,476	0	0	0
Depreciation(unallocated)*	236,021	0	0	0	(236,021)	0
	873,646	0	462,491	77,507	(333,648)	0
Total governmental activities	14,423,928	1,817,562	1,926,155	77,507	(10,602,704)	0
Business-Type activities:						
Support services:						
Nutrition services	20,758	20,758	0	0	0	0
Non-instructional programs:						
Nutrition services	636,320	285,954	383,632	0	0	33,266
Total business-type activities	657,078	306,712	383,632	0	0	33,266
Total	\$ 15,081,006	2,124,274	2,309,787	77,507	(10,602,704)	33,266
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,009,346	0	4,009,346
Debt services				306,015	0	306,015
Capital outlay				269,590	0	269,590
Local option sales and service tax				709,845	0	709,845
Unrestricted state grants				6,238,490	0	6,238,490
Unrestricted investment earnings				176,243	124	176,367
Other				35,426	0	35,426
Total general revenues				11,744,955	124	11,745,079
Changes in net assets before capital contributions				1,142,251	33,390	1,175,641
Capital contributions				0	7,572	7,572
Changes in net assets				1,142,251	40,962	1,183,213
Net assets beginning of year				10,302,267	63,881	10,366,148
Net assets end of year				\$ 11,444,518	104,843	11,549,361

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,969,788	237,204	454,658	636,080	3,297,730
Receivables:					
Property tax					
Delinquent	95,288	0	9,143	14,486	118,917
Succeeding year	3,381,046	0	301,448	522,838	4,205,332
Income surtax	407,457	0	0	0	407,457
Accounts	46,837	269	3,079	6,419	56,604
Due from other governments	493,263	54,012	43	69	547,387
<b>TOTAL ASSETS</b>	<b>\$ 6,393,679</b>	<b>291,485</b>	<b>768,371</b>	<b>1,179,892</b>	<b>8,633,427</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 156,221	3,990	0	26,599	186,810
Salaries and benefits payable	940,643	0	0	800	941,443
Deferred revenue:					
Succeeding year property tax	3,381,046	0	301,448	522,838	4,205,332
Income surtax	407,457	0	0	0	407,457
Other	28,268	0	0	0	28,268
Total liabilities	4,913,635	3,990	301,448	550,237	5,769,310
Fund balances:					
Reserved for:					
Debt service	0	0	466,923	0	466,923
Talented and gifted	142,623	0	0	0	142,623
Unreserved:					
General	1,337,421	0	0	0	1,337,421
Capital projects	0	287,495	0	0	287,495
Management levy	0	0	0	116,527	116,527
Physical plant and equipment levy	0	0	0	255,977	255,977
Other special revenue purposes	0	0	0	257,151	257,151
Total fund balances	1,480,044	287,495	466,923	629,655	2,864,117
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,393,679</b>	<b>291,485</b>	<b>768,371</b>	<b>1,179,892</b>	<b>8,633,427</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

<b>Total fund balances of governmental funds (page 16)</b>	<b>\$ 2,864,117</b>
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,775,203
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,405)
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	1,896,928
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	407,457
Long-term liabilities, including bonds payable, compensated absences payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,493,782)</u>
<b>Net assets of governmental activities (page 14)</b>	<b><u><u>\$ 11,444,518</u></u></b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 3,765,667	709,845	306,015	493,936	5,275,463
Tuition	1,310,925	0	0	0	1,310,925
Other	363,732	89,996	15,524	424,882	894,134
Intermediate sources	64,468	0	0	2,912	67,380
State sources	7,382,101	0	291	478	7,382,870
Federal sources	616,074	0	0	0	616,074
Total revenues	13,502,967	799,841	321,830	922,208	15,546,846
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	5,153,680	0	0	78,870	5,232,550
Special instruction	2,695,274	0	0	0	2,695,274
Other instruction	1,559,043	0	0	351,022	1,910,065
	9,407,997	0	0	429,892	9,837,889
Support services:					
Student services	462,304	0	0	6,277	468,581
Instructional staff services	524,401	0	0	9,137	533,538
Administration services	1,264,955	0	0	29,112	1,294,067
Operation and maintenance of plant services	1,013,205	0	0	87,396	1,100,601
Transportation services	535,484	0	0	173,973	709,457
	3,800,349	0	0	305,895	4,106,244
Non-instructional programs:					
Food service operations	0	0	0	9,002	9,002
Other expenditures:					
Facilities acquisitions	0	53,295	0	149,205	202,500
Long-term debt:					
Principal	0	0	785,000	0	785,000
Interest and fiscal charges	0	0	45,255	0	45,255
AEA flowthrough	462,476	0	0	0	462,476
	462,476	53,295	830,255	149,205	1,495,231
Total expenditures	13,670,822	53,295	830,255	893,994	15,448,366
Excess(deficiency) of revenues over(under) expenditures	(167,855)	746,546	(508,425)	28,214	98,480
Other financing sources(uses):					
Transfers in	0	0	851,623	0	851,623
Transfers out	0	(851,623)	0	0	(851,623)
Compensation for loss of fixed assets	435	0	0	0	435
Sale of equipment	1,776	0	0	0	1,776
Total other financing sources(uses)	2,211	(851,623)	851,623	0	2,211
Net change in fund balances	(165,644)	(105,077)	343,198	28,214	100,691
Fund balance beginning of year	1,645,688	392,572	123,725	601,441	2,763,426
Fund balance end of year	\$ 1,480,044	287,495	466,923	629,655	2,864,117

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 18) \$ 100,691

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal of capital assets exceeded expenditures in the current year, as follows:

Capital expenditures	\$ 320,964	
Depreciation expense	(401,159)	
Loss on disposal of capital assets	<u>(12,857)</u>	(93,052)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 785,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,704

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 415,829

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	\$ (87,527)	
Compensated absences	<u>(727)</u>	(88,254)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 19,333

Changes in net assets of governmental activities (page 15) \$ 1,142,251

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 46,348	2,127,645
Receivables:		
Accounts	792	1,153
Inventories	8,265	0
Capital assets, net of accumulated depreciation(Note 5)	53,739	0
TOTAL ASSETS	109,144	2,128,798
LIABILITIES		
Accounts payable	256	31,463
Salaries and benefits payable	0	8,073
Incurred but not reported claims	0	192,334
Unearned revenues	4,045	0
TOTAL LIABILITES	4,301	231,870
NET ASSETS		
Investment in capital assets, net of related debt	53,739	0
Unrestricted	51,104	1,896,928
TOTAL NET ASSETS	\$ 104,843	1,896,928

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 306,712	2,013,783
TOTAL OPERATING REVENUES	306,712	2,013,783
OPERATING EXPENSES:		
Support services:		
Instructional staff services:		
Services	115	0
Administration services:		
Salaries	20,129	0
Services	514	0
	20,758	0
Non-instructional programs:		
Food service operations:		
Salaries	153,454	0
Benefits	100,581	0
Services	3,853	0
Supplies	370,378	0
Depreciation	8,054	0
Other enterprise operations:		
Benefits	0	1,576,507
Services	0	10,459
Supplies	0	10,988
	636,320	1,597,954
TOTAL OPERATING EXPENSES	657,078	1,597,954
OPERATING INCOME (LOSS)	(350,366)	415,829
NON-OPERATING REVENUES:		
Interest	124	0
State sources	9,110	0
Federal sources	374,522	0
TOTAL NON-OPERATING REVENUES	383,756	0
Net income before capital contribution	33,390	415,829
Capital contributions	7,572	0
Changes in net assets	40,962	415,829
Net assets beginning of year	63,881	1,481,099
Net assets end of year	\$ 104,843	1,896,928

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 302,758	0
Cash received from miscellaneous operating activities	1,556	2,047,381
Cash payments to employees for services	(274,896)	(1,532,870)
Cash payments to suppliers for goods or services	(331,491)	(21,447)
Net cash provided by(used in) operating activities	(302,073)	493,064
Cash flows from non-capital financing activities:		
State grants received	9,110	0
Federal grants received	332,065	0
Net cash provided by non-capital financing activities	341,175	0
Cash flows from investing activities:		
Interest on investments	124	0
Net cash provided by investing activities	124	0
Net increase in cash and cash equivalents	39,226	493,064
Cash and cash equivalents at beginning of year	7,122	1,634,581
Cash and cash equivalents at end of year	\$ 46,348	2,127,645
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (350,366)	415,829
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	42,457	0
Depreciation	8,054	0
Decrease in inventories	1,291	0
(Increase)Decrease in accounts receivable	(392)	33,598
Increase(Decrease) in accounts payable	(379)	31,301
Decrease in salaries and benefits payable	(732)	(5,539)
Increase in incurred but not reported claims	0	17,875
Decrease in unearned revenue	(2,006)	0
Net cash provided by(used in) operating activities	\$ (302,073)	493,064
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 46,348	2,127,645

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$42,457.

During the year ended June 30, 2006, the District received contributed capital from the Special Revenue, Physical Plant and Equipment Levy Fund valued at \$7,572.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	Private purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 144,804	2,414
LIABILITIES		
Accounts payable	0	1,114
Due to other groups	0	1,300
	0	2,414
NET ASSETS		
Reserved for scholarships	\$ 144,804	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	<u>\$ 0</u>
Deletions:	<u>0</u>
Change in net assets	0
Net assets beginning of year	<u>144,804</u>
Net assets end of year	<u>\$ 144,804</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

MAQUOKETA COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

**(1) Summary of Significant Accounting Policies**

The Maquoketa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Maquoketa, Iowa, and the predominate agricultural territory in Dubuque, Clinton, and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Maquoketa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Maquoketa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dubuque, Clinton, and Jackson County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Investment in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds are as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net

assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute,



the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 106,809</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 851,623</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 234,026	0	0	234,026
Total capital assets not being depreciated	<u>234,026</u>	<u>0</u>	<u>0</u>	<u>234,026</u>
Capital assets being depreciated:				
Buildings	11,574,688	7,862	0	11,582,550
Land improvements	996,703	62,040	0	1,058,743
Machinery and equipment	2,903,112	251,062	115,209	3,038,965
Total capital assets being depreciated	<u>15,474,503</u>	<u>320,964</u>	<u>115,209</u>	<u>15,680,258</u>
Less accumulated depreciation for:				
Buildings	5,078,795	192,949	0	5,271,744
Land improvements	400,906	43,071	0	443,977
Machinery and equipment	2,360,573	165,139	102,352	2,423,360
Total accumulated depreciation	<u>7,840,274</u>	<u>401,159</u>	<u>102,352</u>	<u>8,139,081</u>
Total capital assets being depreciated, net	<u>7,634,229</u>	<u>(80,195)</u>	<u>12,857</u>	<u>7,541,177</u>
Governmental activities capital assets, net	<u>\$ 7,868,255</u>	<u>(80,195)</u>	<u>12,857</u>	<u>7,775,203</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 172,056	7,572	0	179,628
Less accumulated depreciation	117,835	8,054	0	125,889
Business-type activities capital assets, net	<u>\$ 54,221</u>	<u>(482)</u>	<u>0</u>	<u>53,739</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 21,567
Other	1,940
Support services:	
Instructional staff services	8,605
Administration services	23,682
Operation and maintenance of plant services	7,094
Transportation	102,250
	<u>165,138</u>
Unallocated depreciation	<u>236,021</u>
Total governmental activities depreciation expense	<u>\$ 401,159</u>
Business-type activities:	
Food services	<u>\$ 8,054</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,085,000	0	285,000	800,000	285,000
Revenue bonds	1,030,000	0	500,000	530,000	530,000
Early retirement	53,416	175,108	87,581	140,943	53,389
Compensated absences	22,112	22,839	22,112	22,839	22,839
Total	\$ 2,190,528	197,947	894,693	1,493,782	891,228

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue April 15, 2004			
		Principal	Interest	Total	
2007	1.75-1.95 %	\$ 285,000	16,047	301,047	
2008	2.10-2.30	295,000	10,473	305,473	
2009	2.45-2.55	220,000	4,152	224,152	
Total		\$ 800,000	30,672	830,672	

Revenue Bonds Payable

Details of the District's June 30, 2006 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bonds dated May 3, 2004			
		Principal	Interest	Total	
2007	2.75-2.95 %	\$ 530,000	11,855	541,855	

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 50% of the employee's current salary (without extra duty increments, Phase III monies and extended term contracts). The District paid \$87,581 in early retirement benefits during the year ended June 30, 2006. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement

System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$480,406, \$440,068, and \$439,149, respectively, equal to the required contributions for each year.

**(7) Risk Management**

The District has a self-funded health and self-funded dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$1,896,928 at June 30, 2006. The incurred but not recorded and unpaid claims liability of \$193,334 reported in the plan at June 30, 2006 based on the requirements of GASB Statement Number 10, is set up as a liability.

In addition, the District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$462,476 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION



MAQUOKETA COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type				Actual
	Actual	Actual	Actual	Original	Final	Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 7,480,522	306,836	7,787,358	7,551,059	7,551,059	236,299
Intermediate sources	67,380	0	67,380	56,000	56,000	11,380
State sources	7,382,870	9,110	7,391,980	7,409,328	7,409,328	(17,348)
Federal sources	616,074	374,522	990,596	922,137	922,137	68,459
Total revenues	15,546,846	690,468	16,237,314	15,938,524	15,938,524	298,790
Expenditures:						
Instruction	9,837,889	0	9,837,889	10,105,065	10,146,537	308,648
Support services	4,106,244	20,758	4,127,002	3,835,756	4,010,544	(116,458)
Non-instructional programs	9,002	636,320	645,322	650,065	684,195	38,873
Other expenditures	1,495,231	0	1,495,231	1,654,528	1,719,599	224,368
Total expenditures	15,448,366	657,078	16,105,444	16,245,414	16,560,875	455,431
Excess(deficiency) of revenues over(under) expenditures	98,480	33,390	131,870	(306,890)	(622,351)	754,221
Other financing sources, net	2,211	7,572	9,783	3,000	3,000	15,783
Excess(deficiency) of revenues and other financing sources over(under) expenditures	100,691	40,962	141,653	(303,890)	(619,351)	770,004
Balance beginning of year	2,763,426	63,881	2,827,307	2,332,720	2,332,720	494,587
Balance end of year	\$ 2,864,117	104,843	2,968,960	2,028,830	1,713,369	1,264,591

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$315,461.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 110,064	167,429	251,112	107,475	636,080
Receivables:					
Property tax:					
Current year delinquent	6,431	0	8,055	0	14,486
Succeeding year	250,000	0	272,838	0	522,838
Accounts	0	3,624	208	2,587	6,419
Due from other governments	32	0	37	0	69
<b>TOTAL ASSETS</b>	<b>\$ 366,527</b>	<b>171,053</b>	<b>532,250</b>	<b>110,062</b>	<b>1,179,892</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$ 0	23,164	3,435	0	26,599
Salaries and benefits payable	0	800	0	0	800
Deferred revenue:					
Succeeding year property tax	250,000	0	272,838	0	522,838
	250,000	23,964	276,273	0	550,237
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	116,527	147,089	255,977	110,062	629,655
Total fund balances	116,527	147,089	255,977	110,062	629,655
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 366,527</b>	<b>171,053</b>	<b>532,250</b>	<b>110,062</b>	<b>1,179,892</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
REVENUES:					
Local sources:					
Local tax	\$ 224,346	0	269,590	0	493,936
Other	7,644	393,290	12,554	11,394	424,882
Intermediate sources	0	2,912	0	0	2,912
State sources	222	0	256	0	478
TOTAL REVENUES	232,212	396,202	282,400	11,394	922,208
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	78,870	0	0	0	78,870
Other instruction	198	346,624	0	4,200	351,022
	79,068	346,624	0	4,200	429,892
Support services:					
Student services	6,227	50	0	0	6,277
Instructional staff services	8,942	195	0	0	9,137
Administration services	27,288	1,824	0	0	29,112
Operation and maintenance of plant services	57,279	3,480	26,637	0	87,396
Transportation services	28,592	24,756	120,625	0	173,973
	128,328	30,305	147,262	0	305,895
Non-instructional program:					
Food service operations	9,002	0	0	0	9,002
Other expenditures:					
Facilities acquisition	0	0	149,205	0	149,205
	0	0	149,205	0	149,205
TOTAL EXPENDITURES	216,398	376,929	296,467	4,200	893,994
Excess (deficiency) of revenues over (under) expenditures	15,814	19,273	(14,067)	7,194	28,214
Fund balance beginning of year	100,713	127,816	270,044	102,868	601,441
Fund balance end of year	\$ 116,527	147,089	255,977	110,062	629,655

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 12,681	1,480	14,161	0
Drug testing	1,000	0	50	950
Special checks	323	0	0	323
HS activity tickets	331	0	188	143
Athletic control	12,100	408	1,430	11,078
HS speech	37	12,045	9,686	2,396
HS vocal music	3,983	9,515	13,498	0
Harm helpers	1,248	17,910	17,099	2,059
HS band	(850)	2,449	1,599	0
HS band tour	(192)	19,443	17,939	1,312
Activities control	5,706	7,952	(194)	13,852
Athletic pass	455	1,665	903	1,217
Athletic awards	62	0	62	0
Coed cross country	63	1,998	2,061	0
Tennis fundraiser	(264)	1,987	1,723	0
HS cheerleaders	446	3,097	2,595	948
Dance squad	1,417	9,453	6,505	4,365
HS boys basketball	1,445	12,554	13,999	0
Boys basketball fundraiser	251	1,480	1,450	281
HS football	5,977	27,342	33,319	0
Football fundraiser	(6,795)	18,592	9,659	2,138
HS boys soccer	0	0	(5,055)	5,055
HS baseball	(3,084)	7,101	4,017	0
Baseball fundraiser	(2,580)	4,012	1,432	0
HS boys track	(1,592)	1,519	(73)	0
Track fundraiser	343	505	618	230
Boys tennis	82	2,095	2,177	0
HS boys golf	(198)	1,911	1,713	0
Boys golf fundraiser	825	1,135	990	970
HS wrestling	(1,086)	7,990	6,904	0
Wrestling fundraiser	2,384	4,399	3,789	2,994
HS girls basketball	2,051	7,123	9,174	0
Girls basketball fundraiser	7,391	3,602	5,293	5,700
HS volleyball	(423)	3,999	3,576	0
Volleyball fundraiser	367	1,776	1,212	931
HS girls soccer	0	0	(5,055)	5,055
HS softball	(2,657)	7,370	4,713	0
Softball fundraiser	2,413	1,620	1,071	2,962
HS girls track	(1,101)	3,233	2,132	0
Girls track fundraiser	1,912	105	979	1,038
Girls tennis	14	2,008	2,022	0
HS girls golf	(795)	2,052	1,257	0
Girls golf fundraiser	146	764	63	847

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS yearbook	15,133	14,215	19,595	9,753
HS winter concessions	90	9,127	9,126	91
HS class of 2006	99	589	688	0
HS class of 2007	1,135	18,087	17,011	2,211
HS class of 2008	1,967	33	250	1,750
HS class of 2009	2,000	26	0	2,026
HS class of 2010	0	2,026	0	2,026
HS post grads	995	13	(688)	1,696
HS BPA	4,662	13,825	16,617	1,870
Hosa	14,335	14,662	10,376	18,621
HS MOC	1,277	13	272	1,018
FCCLA	1,451	2,987	2,813	1,625
FFA	5,739	32,952	38,691	0
National honor society	237	709	803	143
Student senate	3,295	10,576	10,453	3,418
Spanish club	2,742	2,359	1,781	3,320
French club	2,709	12,969	15,601	77
Maquoketan	212	3	0	215
HS juice	2,651	10,025	12,248	428
HS SADD	449	175	219	405
MS chorus	1,826	1,767	943	2,650
MS band	3,330	12,659	11,295	4,694
MS boys athletics	2,418	5,793	3,944	4,267
MS mat refurbishing	1,500	1,540	0	3,040
MS girls athletics	1,645	4,614	4,258	2,001
MS awards	9,048	4,511	5,105	8,454
MS student council	3,035	5,201	4,123	4,113
MS card club	0	113	0	113
Elementary chorus	0	944	724	220
Total	\$ 127,816	396,202	376,929	147,089

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS  
JUNE 30, 2006

	Stoddard	Other	Zimmerman	Bothwell	Wendell	Evans	Wolf	Joiner	Schuman	Total
	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	
ASSETS										
Cash and pooled investments	\$ 98,187	500	2,011	1,205	2,744	383	338	336	1,771	107,475
Accounts receivable	0	0	13	0	2,318	0	0	109	147	2,587
TOTAL ASSETS	\$ 98,187	500	2,024	1,205	5,062	383	338	445	1,918	110,062
LIABILITIES AND FUND EQUITY										
Liabilities:	\$ 0	0	0	0	0	0	0	0	0	0
Fund Equity:										
Unreserved, undesignated	98,187	500	2,024	1,205	5,062	383	338	445	1,918	110,062
TOTAL LIABILITIES AND FUND EQUITY	\$ 98,187	500	2,024	1,205	5,062	383	338	445	1,918	110,062

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



MAQUOKETA COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS  
YEAR ENDED JUNE 30, 2006

	Stoddard Scholarship	Other Scholarship	Zimmerman Scholarship	Bothwell Scholarship	Wendell Scholarship	Evans Scholarship	Wolf Scholarship	Joiner Scholarship	Schuman Scholarship	Total
REVENUES:										
Local sources:										
Interest on investments	\$ 3,750	0	59	0	5,425	4	0	226	380	9,844
Contributions and donations	0	1,000	0	300	0	0	150	100	0	1,550
	3,750	1,000	59	300	5,425	4	150	326	380	11,394
EXPENDITURES:										
Other instruction:										
Scholarships	0	500	400	0	3,100	0	200	0	0	4,200
Excess(deficiency) of revenues over(under) expenditures	3,750	500	(341)	300	2,325	4	(50)	326	380	7,194
Fund balance beginning of year	94,437	0	2,365	905	2,737	379	388	119	1,538	102,868
Fund balance end of year	\$ 98,187	500	2,024	1,205	5,062	383	338	445	1,918	110,062

SEE ACCOMPANYING INDEPENDENT AUDITOR'S

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST  
 JUNE 30, 2006

	Wendell Scholarship	Joiner Scholarship	Schuman Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 129,804	5,000	10,000	144,804
TOTAL ASSETS	\$ 129,804	5,000	10,000	144,804
LIABILITIES AND FUND EQUITY				
Liabilities:	\$ 0	0	0	0
Fund Equity:				
Unreserved, undesignated	129,804	5,000	10,000	144,804
TOTAL LIABILITIES AND FUND EQUITY	\$ 129,804	5,000	10,000	144,804

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,462	32,541	31,589	2,414
<b>LIABILITIES</b>				
Accounts payable	\$ 0	1,114	0	1,114
Due to other groups	1,462	31,427	31,589	1,300
	\$ 1,462	32,541	31,589	2,414

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
<b>Revenues:</b>					
Local sources:					
Local tax	\$	5,275,463	5,086,399	5,212,755	4,884,422
Tuition		1,310,925	1,344,955	1,145,634	1,192,619
Other		894,134	731,758	706,578	624,718
Intermediate sources		67,380	62,691	56,787	56,326
State sources		7,382,870	7,189,981	6,935,450	7,003,502
Federal sources		616,074	951,591	1,210,073	1,067,204
Total	\$	15,546,846	15,367,375	15,267,277	14,828,791
<b>Expenditures:</b>					
Instruction:					
Regular instruction	\$	5,232,550	5,031,911	4,953,183	4,955,125
Special instruction		2,695,274	2,546,452	2,944,409	2,920,883
Other instruction		1,910,065	1,835,834	1,386,010	1,515,386
Support services:					
Student services		468,581	485,350	648,009	717,514
Instructional staff services		533,538	424,137	348,957	343,134
Administration services		1,294,067	1,138,680	1,056,431	1,071,494
Operation and maintenance of plant services		1,100,601	1,000,149	962,709	924,900
Transportation services		709,457	526,607	515,949	599,421
Other support services		0	0	900	540
Non-instructional programs		9,002	5,256	32,927	31,988
Other expenditures:					
Facilities acquisitions		202,500	2,324,435	920,702	280,498
Long-term debt:					
Principal		785,000	550,000	1,570,000	220,000
Interest and fiscal charges		45,255	55,681	115,776	85,510
AEA flow-through		462,476	453,706	451,567	479,573
Total	\$	15,448,366	16,378,198	15,907,529	14,145,966

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 06	\$ 42,457
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	76,805
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	255,260
			<u>332,065</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4041-G	283,236
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	4041-GC	9,977
			<u>293,213</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 05	4,195
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 06	6,054
			<u>10,249</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	976
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	10,679
			<u>11,655</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 05	9,190
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 06	76,921
			<u>86,111</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 05	665
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 06	3,448
			<u>4,113</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 05	4,621
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 06	43,601
			<u>48,222</u>

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 06	<u>28,435</u>
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 06	<u>88,397</u>
SPECIAL EDUCATION - GRANTS TO STATES(FAMILY RESOURCE)	84.027	FY 06	<u>7,000</u>
SUPPORTING SCHOOLS IN EMERGENCY RESPONSE AND CRISIS MANAGEMENT	84.184E	FY 06	<u>500</u>
SPECIAL EDUCATION - GRANTS TO STATES(SUCCESS 4)	84.027	FY 04	<u>915</u>
GOALS 2000 - STATE AND LOCAL EDUCATION SYSTEMIC IMPROVEMENT GRANTS	84.276	FY 04	<u>1,858</u>
DEPARTMENT OF HUMAN SERVICES:			
MEDICAL ASSISTANCE PROGRAM (MEDICAID REIMBURSEMENT)	93.778	FY 06	<u>1,108</u>
TOTAL			<u>\$ 956,298</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Maquoketa Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Maquoketa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maquoketa Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 7, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maquoketa Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maquoketa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Maquoketa Community School District and other parties to Maquoketa Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Maquoketa Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 7, 2006



# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Maquoketa Community School District

#### Compliance

We have audited the compliance of Maquoketa Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Maquoketa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Maquoketa Community School District's management. Our responsibility is to express an opinion on Maquoketa Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Maquoketa Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Maquoketa Community School District's compliance with those requirements.

In our opinion, Maquoketa Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Maquoketa Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Maquoketa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations,

contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Maquoketa Community School District and other parties to whom Maquoketa Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 7, 2006

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual
    - CFDA Number 84.010 - Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Maquoketa Community School District did not qualify as a low-risk auditee.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- II-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by different people; however, there does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit in the Special Revenue, Student Activity Fund.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- II-B-06 Student Activity Fund - We noted during our audit that the Student Activity fund included old class accounts.

Recommendation - The District should review the transactions in these accounts and make the necessary transfers. The old class accounts should be closed out upon graduation.

Response - We will close past graduate accounts. For the most recent graduating class, we will attempt to obtain from them their intent with the balance and expense it prior to June 30<sup>th</sup>. Due to time constraints, it may be such a balance carries into the next fiscal year.

Conclusion - Response accepted.

- II-C-06 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - We will assess, and in future deposit rent amounts into the general fund when hosting district and regional events.

Conclusion - Response accepted.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

MAQUOKETA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the support services function. In addition, the budget amendment was published 23 days before the public hearing not the required minimal of 10 days but less than 20 days before the public hearing.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The budget amendment process should be reviewed by the District to ensure future publications for budget public hearing meet the State requirement.

Response - We will amend the budget if necessary in the future and review procedures to ensure publications for budget public hearings meet the State requirements.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barb Bowman, Teacher Spouse owns Bowman Oil Company	Gasoline	\$92,034
Joanie Bowman, Teacher Spouse owns Bowman Body Shop	Repairs	\$120
Jim Geronzin, Bus Driver Owns Design Works	Supplies	\$1,270
Sue Mayberry, Teacher Spouse owns Mayberry Appliance Center	Appliances	\$3,289
James Manderscheid, Custodian Installed Locks and Combination Changes	Purchased Services	\$788
Denny Scott, Custodian Spouse owns Ronann's Floral Shoppe	Plants and Flowers	\$2,006

In accordance with Attorneys General opinion dated November 9, 1976, the transactions with the Barb Bowman's spouse, Joanie Bowman's spouse, Sue Mayberry's spouse and Denny Scott's spouse do not appear to be a conflict of interest.

In accordance with Attorneys General opinion dated July 2, 1990, the transactions with Jim Geronzin and James Manderscheid do not appear to be a conflict of interest.

- IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.